

and more access to life-saving treatments. And in comparison to managed care, Medicare is also extremely cost-effective. It's an under-appreciated fact that Medicare is administered for just two cents on the dollar, while managed care is typically administered at a rate twelve times greater.

Still, it's absolutely amazing how much bureaucratic red tape you can generate for two cents on the dollar. This is 500 sheets of paper. If you write double-sided, it's 1000 pages. Now, if you imagine 110 of these stacks piled on top of each other, you begin to have an idea of how complicated Medicare is. 110,000 pages of regulations—that's over three times the length of the U.S. tax code.

Every month, physicians receive pages upon pages from their Medicare carriers describing ever-changing policies and regulations. Keeping track of everything is frankly impossible. Yet, if a physician doesn't follow one of the rules, no matter how unintentionally, he or she can be subjected to the draconian process of a Medicare audit. Currently, when carriers identify an alleged physician billing error, they can "extrapolate" the single identified error to the physician's other claims. This would be like the IRS identifying an error on your most recent tax return, and then assuming that you made that error on every tax return you ever filed.

The "Medicare Education and Regulatory Fairness Act of 2001" is a common-sense piece of legislation that addresses this injustice, as well as many others. This act will guarantee that physicians receive the same due process that we guarantee all our citizens. If this alone were the only virtue of this bill, it would still be worth passing. But there is a larger significance here that extends beyond physicians, and it can be summarized with a simple equation: Less time spent on paperwork means more time spent on patient care. Therefore, as much as physicians will benefit from this legislation, let us always keep in mind that the true beneficiaries are the patients.

#### INTRODUCTION OF LEGISLATION TO ALLOW FEDERAL CIVILIAN EMPLOYEES TO RETAIN FRE- QUENT FLYER MILES THEY RE- CEIVE WHILE TRAVELING ON OF- FICIAL GOVERNMENT BUSINESS

**HON. DAN BURTON**

OF INDIANA

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, July 11, 2001*

Mr. BURTON. Mr. Speaker, today I am introducing a bill that would assist federal departments and agencies in their efforts to recruit and retain employees. This bill would allow federal civilian employees to keep frequent flyer miles and other promotional benefits they receive while traveling on official government business. Unlike private-sector employees, federal workers are currently prohibited by law from keeping these benefits for personal use.

The existing law, enacted in 1994, intended to save the government money. However, the law has been difficult to implement because the airlines regard frequent flyer miles as belonging to the individual traveler and are generally unwilling to create separate official and

personal frequent flyer accounts for the same individual. Overall, the burdens and costs of administering this program have limited its benefits to the government.

The private sector commonly allows its employees to keep the frequent flyer miles they receive while on business travel, giving private companies, including government contractors, a competitive edge over federal agencies in attracting and retaining skilled employees. Changing this policy would help level the playing field.

However, in order for federal employees to keep these benefits, the bill would require that they be obtained under the same terms as provided to the general public and must be at no additional cost to the government. Frequent flyer miles that are accrued during employees' official travel will also help compensate employees for the sacrifices and frustrations often associated with air travel. Similar to private-sector employees, federal employees must often travel on their personal time to meet work schedules.

This is just one small step to help counteract the effects of the expected retirements in the federal workforce in the coming years, and it would help the government compete for top-quality employees.

I urge my colleagues to cosponsor this legislation.

#### HONORING THE CITY OF TRINIDAD

**HON. SCOTT McINNIS**

OF COLORADO

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, July 11, 2001*

Mr. McINNIS. Mr. Speaker. It gives me great pleasure to recognize the city of Trinidad, Colorado as the city celebrates its 125th anniversary.

Throughout Trinidad's town history, the city has been a melting pot for various cultures. In its defining years, Trinidad was a bustling city founded on coal mining and cattle ranching. Trinidad was also a stopping point for the railroad as it progressed westward. Today, it is a city of rich historical significance and livelihood located on the western slope of Colorado.

The 125th anniversary of Trinidad presents a wonderful opportunity for many residents to recall the valuable memories that have shaped this dynamic community. For others, it highlights historical notes that illuminate an era when Bat Masterson was the town marshal in the 1880's and when Trinidad was frequented by such famous western legends as Kit Carson, Wyatt Earp, Doc Holliday and Billy the Kid.

Mr. Speaker, I would especially like to commend the men and women who have impacted the city of Trinidad and made it the delightful place it is today. For example, Felipe Baca was an early businessman who built and resided in the notorious Baca Mansion. Sister Blandina was a pioneer for the Catholic nuns in the territory and Father Charles M. Pinfo was the first Jesuit pastor of Holy Trinity Catholic Church, erected in 1886. These are just a few of the many personalities that have molded not only the city of Trinidad, but also the western territory in general.

Mr. Speaker, as the members of this historic community reminisce of days gone by and anticipate those yet to come, I am proud to

honor and congratulate the residents of Trinidad on their anniversary. It is truly a remarkable accomplishment to celebrate 125 years of prosperity and good fortune.

#### RECOGNITION OF EXTRUDE HONE CORPORATION

**HON. MELISSA A. HART**

OF PENNSYLVANIA

IN THE HOUSE OF REPRESENTATIVES

*Wednesday, July 11, 2001*

Ms. HART. Mr. Speaker, I submit the following Wall Street Journal article printed on Friday, July 6th. The story discusses the importance of small manufacturers in our economy, and specifically talks about the success of Extrude Hone Corp. in Irwin, PA. This company is located in my district and produces a special abrasive putty to smooth metal products. Along with thousands of other successful small businesses in western Pennsylvania, Extrude Hone Corp. represents the hard work and entrepreneurial spirit that helps to sustain and drive the American economy.

[From the Wall Street Journal, July 6, 2001]

BY RESISTING LAYOFFS, SMALL

MANUFACTURERS HELP PROTECT ECONOMY

(By Clare Ansberry)

IRWIN, PA.—Extrude Hone Corp. is one of the reasons that the bottom hasn't fallen out of the U.S. economy.

Quietly, but profitably, the company is going about its business: making machines that use a special abrasive putty to smooth out rough edges on aircraft engines, fuel-injection systems, artificial knee joints and heart valves. By itself, Extrude Hone, which has a work force of less than 200 locally and 400 world-wide, hardly registers beyond its rural hometown near Pittsburgh and the large community of its customers. But its broader significance lies in the fact that it's far from alone.

Extrude Hone is just one of about 4,000 manufacturers in this southwest corner of Pennsylvania, nearly all with fewer than 500 workers. As a group, they employ about 170,000 people, and their payrolls total \$7.1 billion annually. Most are too small to show up on Wall Street's radar screen. But these stealth manufacturers, principally durable-goods makers, have an outsized impact on the nation's economy, and many of them are showing surprising strength.

LAYOFFS VS. HIRING

Though there have been some recent signs of a pickup, the durable-goods sector, which produces big-ticket items designed for repeated use, has borne the brunt of the manufacturing slump that began in the second half of 2000. Many of the sector's publicly traded giants, such as General Electric Co., Eaton Corp. and International Paper Co., have responded by announcing major layoffs.

But despite all that, about 60% of southwestern Pennsylvania's durable-goods manufacturers plan to add workers this quarter, according to a recent survey by staffing agency Manpower Inc.

Why? Larry Rhoades, Extrude Hone's chief executive, can cite several reasons. So can Kurt Lesker III, whose family-owned company makes vacuum systems, or Robert Moscardini of U.S. Tool & Die Inc., who has nearly tripled his work force to 110 people since 1994 and whose board wants him to increase it to as many as 500.

All three businesses have been understaffed in recent years and have had to invest heavily in recruiting and training. Mr.

Moscardini figures U.S. Tool & Die spent 3,000 hours training workers last year, even paying an outside welding company to help it in the effort. "You figure every hour is worth \$60 to \$100," he says, "That's a big investment. You don't just let those people go."

#### EIGHT GREAT YEARS

Nor are many small to midsize manufacturers elsewhere in the nation rushing to cut back. Though some have had no choice but to lay off employees, even many of those whose business has softened are holding on to their workers, both out of loyalty to their communities and employees and out of fear that they will be left without much-needed talent when the economy strengthens. And, without public shareholders breathing down their necks demanding that they maximize returns, they have the flexibility to eschew layoffs in favor of longer-range business goals.

"They're not crying the blues because they had eight great years," says Dean Garritson of the National Association of Manufacturers, a trade group based in Washington. Most such businesses keep overhead low, and their owners can still afford to put "dollars into the company," he says. "They're less apt to let people go, and that creates a stabilizing force."

#### UPBEAT IN A SLOWDOWN

And a significant one. Those largely anonymous businesses account for about 9.8 million, or more than half, of the nation's manufacturing jobs. And their seeming resistance to layoffs helps explain why consumers, who are also employees, have remained relatively upbeat, despite the current slowdown.

Jerry Letendre owns Diamond Casting Corp. in Hollis, N.H., where he and his 50 employees pour molten aluminum into shapes for high-tech pumps. Last year, his profits dropped 50% and sales fell 30%. But rather than make big layoffs, he decided to hold off buying a new computerized milling machine and dug deeper into his own pockets to rebuild inventory and introduce new products. Twenty-five percent of his products were introduced in the past 10 months.

"During good times you conduct yourself so you can comfortably sustain not-so-good times like now," Mr. Letendre says. And, he adds, "I don't have Wall Street calling me asking, 'What have you done for me this week?'"

Here in southwest Pennsylvania, industrial stalwarts such as U.S. Steel Corp., Alcoa Inc. and Westinghouse Electric Corp. drove the economy, spawning thousands of smaller operations that were formed solely to supply and serve them. Many of those operations dried up over the decades as Westinghouse left town and steel's presence here shrank. The small manufacturers that have survived the shakeout have done so by keeping in step with the market and adopting new technologies in order to cut costs.

Extrude Hone is one of them. Mr. Rhoades's father started the business 35 years ago in the back of a tire shop. The company's purpose was to polish rough edges and holes in metal parts. Though that sounds like a minor adjustment, such fine-tuning can greatly enhance a product's performance. Having a smooth hole, rather than a jagged one, in a fuel-injection system, for example, even when the hole is only twice the diameter of a hair, can increase the flow of fuel by 20%. That means improved fuel economy and lower emissions. When it comes to heart valves and knee joints, the difference means better blood flow and less chance of

contamination. When it comes to aircraft engines, it means more power.

And if the customer doesn't want to do that kind of work itself, Extrude Hone will finish the parts for it in one of its several shops around the world, from Ireland to Japan. It also sells the proprietary putty used in its machines.

#### EXPLOITING ADVANTAGES

The fact that Extrude Hone is growing makes it an anomaly among the nation's machine-tool producers, whose overall sales have slumped since the late 1990s. In a recent speech before a business group in Birmingham, England, where the decline of heavy industry has paralleled that of Pittsburgh's, Mr. Rhoades shared his company's survival strategy with an audience eager to know how his manufacturing business had weathered the U.S. steel industry's diminished local presence.

The key, Mr. Rhoades said, was exploiting the advantages inherent in being a small manufacturer. Having relatively few employees, he said, helps his company to remain flexible and stay close to the factory floor and customers. Making things more economically, precisely or consistently isn't enough, he told the group. A small manufacturer, he said, has to make something distinctive and difficult for its customers to do without, and that requires investing in new designs and processes.

Mr. Rhoades spends about 15% of his company's sales on research and development, a surprisingly high percentage for a machine-tool maker. Many small and private companies are conservative and cautious about spending, in part because they don't have public investors to help them raise cash. That's where being private has its limitations, he says. The upside, he says, is that he is freer to focus on the long term, rather than on quarterly results.

Mr. Rhoades's newest and most promising technology, invented at the Massachusetts Institute of Technology, is a process for custom-making hundreds of different parts using a single machine. Rather than stamping a piece out of metal, the new process uses a computer scan of a part to create a copy of it, building it up layer by layer from a mixture of powdered metal and glue, which is then fused in a furnace.

Mr. Rhoades says the process eventually could be used by airlines or by auto shops that want to make replacement parts on site, rather than waiting for them to be delivered.

And that's why he's hiring. He needs metallurgists and people with computer and software skills, many of whom as recently as two years ago wouldn't have considered working for a machine-tool maker. "It just got to an unhealthy point where people were being drawn out of the work force and into dot-coms when they could make a bigger economic contribution" by working in mainstream manufacturing, he says.

Manufacturers create a local multiplier effect. They go through a lot of nuts, bolts, grease and paper clips, often relying on other local businesses and keeping their dollars in the community. They use the local delivery service, the local trucking company. Home sales here rose 41% in May, and while there's no direct correlation between robust real-estate sales and an uninterrupted flow of coated metal, it can't hurt either.

Last year, U.S. Tool & Die spent \$467,853 buying office supplies, gloves, cleaning materials, fasteners, bolts, grinding wheels, sanding belts and lifting devices such as slings from local suppliers. Steel to make its prod-

ucts comes from nearby Allegheny Ludlum Corp.

U.S. Tool & Die has survived by evolving. Formed about 50 years ago, it was engaged in the most basic aspect of manufacturing: making parts under contract for customers in the steel industry. In the mid-1970s, it began making racks to store spent nuclear fuel. It didn't change its business, remaining a contract manufacturer, but it changed markets completely. Now, it has contracts all over the world.

While U.S. Tool & Die's Mr. Moscardini credits the company's strong sales to dominating a particular niche, others seem to be doing well, too. "People I associated with in metal working and manufacturing, everyone seems healthy. We probably have 15 to 20 machine shops supporting us with subcontract work, and these guys are all busy."

John Ross, executive vice president of manufacturing at Kurt J. Lesker Co., says that customers in semiconductor and automotive businesses, which delayed spending, are now starting to buy again. "I get the impression we're not going to stay in this downturn for an extended period of time," he says.

Last year, Lesker, which has 200 employees and \$40 million a year in sales, expanded its work force by 15%. This year, Mr. Ross says, it plans to expand another 7%. He says Lesker's biggest problem is a shortage of skilled workers, such as welders and machinists.

A few years ago, Mr. Ross got together with some other area manufacturers to discuss the problem. With the help of Duquesne University in Pittsburgh and a local foundation, they developed a training program aimed at people who had planned to go to college and indicated an interest in a career but had ended up in dead-end jobs. So far, Lesker has hired about 15 graduates of the program, which is called Manufacturing 2000, including Dan McKenzie.

#### MORE EARNING POWER

Mr. McKenzie, 27, had just finished a stint with the Marine Corps and was working in a pizza shop. He saw the program's ad for free training and jumped on it. Now, he works for Lesker as a machinist and has taken some college courses toward an industrial-engineering degree. As a result, Mr. McKenzie, who made \$8.50 an hour delivering pizza, has seen his earning power increase substantially. The average annual wage in the manufacturing sector here is \$42,000. The sector, which employs about 15% of the region's workers, accounts for 20% of the region's wages, according to Barry Maciak of Duquesne's Institute for Economic Transformation.

Local companies paid \$1,250 for each Manufacturing 2000 graduate and considered it a bargain. "We don't have the resources to train and recruit that larger companies have," says Lesker's Mr. Ross. Once it gets people, the company is loath to lose them.

Moreover, the average age of machinists, welders and tool grinders is 43, and welders rarely wait until they are 65 to retire because their work is so physically demanding. So, the company has to think about the future.

But Lesker also feels a loyalty to its work force, a luxury many public companies can't afford. Kurt Lesker III, Lesker's president, remembers sales plummeting after the fall of the Berlin Wall dried up the company's defense-related business. "We went through several years of break even. We could have laid off. We decided to keep everyone because it had to get better," he says. "If it was a public company, I would have been fired."